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Report to the Public Projects Committee

INDUSTRIAL POLICY STUDY

City of Modesto  
Department of Planning and Community Development  
May, 1982

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UNIVERSITY OF CALIFORNIA

Modesto's Present Industrial Policies

The City's policy on industrial development to date has been relatively neutral. Areas for industrial development are designated on the General Plan and zoned and allowed to develop. Industrial locations are regulated by zoning. Much of the area set aside for industry in the Modesto Urban Area is outside the City limits and is not expected to annex in the foreseeable future.

The City's existing industrial policy is set forth in the Land Use and Circulation Elements (LUCE) of the General Plan. The following excerpts from the LUCE set forth objectives, principles, and implementation regarding industrial development.

1. Employment

Objectives:

- a. Encourage a diversified economic base to provide varied job opportunities for all of the residents of the community.
- b. Provide for transportation linkages from place of residence to place of employment opportunity.

Principles

- a. Permit full-time employment to balance seasonal employment of food industries; permit employment that builds on the urban area's economic strengths: food processing, retail and wholesale trade and services, medical and government.
- b. Concentrate areas of employment so that bus lines can function more efficiently. Four areas of employment concentration are:
  - Food processing and other manufacturing - concentrate along the rail lines
  - Government and private offices with high number of employees - concentrate downtown
  - Medical offices - concentrate near hospitals
  - Community and regional shopping uses - concentrate in shopping centers located to best serve residential areas



- c. Encourage multiple family housing, particularly for low and moderate income residents along bus routes to provide a public transportation alternative for the commute to work.

#### Implementation:

- a. Sanitary sewer capacity limits the addition of any new "wet" industry to the urban area, only permits expansion of the present "wet" industries.
- b. An abundant amount of general plan industrial area with zoning to match exists for manufacturing concerns. Many medical offices are congregating around the hospitals in the urban area on lands zoned for offices. The main challenges are to limit commercial development to shopping centers and to limit offices with substantial employment to a concentrated core in the downtown.
- c. Staff can assist in the site selection of public housing and zoning for multiple family housing, in general. The Housing Element will cover this matter more thoroughly.

### 5. Industrial Areas

#### Objectives:

- a. Provide for a range of employment opportunity in firms that are compatible with the environment.
- b. Industrial areas should be served well by the bus system as well as the street and highway system.
- c. Industrial areas should be located centrally to the urban area and in concentrated patterns.

#### Principles

- a. Environmental compatibility of industrial areas is not based solely on landscaping and plot plan compatibility with adjacent land uses. As critical are the discharges they make into the air and sanitary sewer system. In addition, very rapid expansion of the industrial base, regardless of how "clean" the industries might be, would produce a rapid increase in population, decrease in housing availability, and environmental problems.
- b. Concentrated employment areas should be served by the bus system. Industrial areas with their vast acreages and sprawling buildings should accommodate needed major street and freeway alignments, as well as railroad spurs. Industrial areas should have master plans approved by local government.

#### Implementation:

- a. Staging of industrial growth has not been a problem as yet in the Modesto urban area. Planning in advance to avoid a damaging rapid industrial



growth rate (relocation of large employers from outside the urban area as one example) is difficult. The nature of the food processing industry is one of single-story expansiveness. To properly serve it, vast tracts are identified in the general plan, the lands are zoned industrial and sanitary sewer trunks are installed to serve it. This stage is also set for potential rapid, non-food processing industrial expansion. This has not occurred nor may it ever occur. But there are few safeguards should circumstances change. The potential poses an urban growth problem for the community. This land resource is regulated by the County (zoning and subdivision regulations) and the City (sanitary sewer service).

- b. The 1965 Modesto Urban Area General Plan suggested more work in the area of industrial land use. These Elements reiterate the recommendation with concerns for: north-south major street linkages through the Beard Industrial Area; appropriate buffering of industrial areas from adjacent residential areas, a matter generally ignored because urban growth pressures have not placed the two areas in close proximity until recently; and as the bus system expansion permits, service to industrial areas.
- c. Future annexation of industrial areas on the City's fringe would assist the City in meeting these General Plan objectives. It is acknowledged that at present this does not appear politically feasible and more important, there is insufficient state annexation enabling legislation.

#### Industrial Development and Growth

Industrial growth is a basic driving force behind overall economic growth of an area. New jobs in this sector are multiplied through the community as added wage-earners create a demand for housing, services and so forth. Expansion of the local economy may be triggered by industrial expansion and lag the industrial expansion by several years.

The factors which affect industrial site choices and thus industrial development are numerous. Included are a supply of land meeting the physical and economic characteristics required, access to transportation, access to raw materials and markets, availability of a labor pool, and regulatory climate. A number of environmental issues may pose a constraint on industrial development, including water supply and wastewater disposal, air quality, and availability of housing. These issues are addressed in the following section.

Rate of growth is a key factor for a City. The addition of a small industrial facility employing less than 100 persons will be absorbed smoothly into the local economy, while a new facility employing hundreds of people would cause significant rapid growth in the community which might well overload public facilities.

#### Constraints on Industrial Expansion

##### 1. Water Supply

Modesto's water supply, including water for industry, has historically come from the underground aquifer. In recent years, the water table has fallen, indicating an overdraft. Thus it may be necessary to end



expansion of underground water use and perhaps even curtail present use. Food processing industries tend to be relatively water-intensive although local industries have made major strides in reducing their utilization of water in recent years.

Other sources of water have been suggested, including surface supplies via the Modesto Irrigation District canal system. Because this source of supply is available, water supply per se would not seem to be a limiting factor for industry and associated growth for the foreseeable future. However, utilization of this resource will raise the cost of providing water locally. Treatment of the water will be required, entailing capital expenditure for facilities, and changes in the distribution system will be required, also with significant expense.

## 2. Sanitary Sewer Capacity

Modesto's Wastewater Treatment system cannot presently accommodate any new "wet" industry (i.e. industry which produces a large amount of wastewater, such as food processing). Indeed, even the wastewater flows resulting from new households from new "dry" industry would tax the existing facilities. The City is presently under order to improve the quality of wastewater effluent discharged to the San Joaquin River.

The City plans significant improvements to and expansion of the Wastewater Treatment facilities. These plans have been delayed for several years by funding difficulties. When the improvements are completed, sewers as a constraint on household growth will be removed. However, a new "wet" industry will still not be able to be accommodated, although expansion of existing industry will be feasible. Because of the significant cost of providing treatment facilities, this will continue to be an important issue related to industrial development of the City.

## 3. Energy

Energy supply availability is a definite concern. The bulk of electricity delivered by the M.I.D. is purchased from the City and County of San Francisco (Hetch-Hetchy) or Pacific Gas and Electric (PG&E). Less and less Hetch-Hetchy power will be available to the MID in future years. While MID has been exploring other possibilities and negotiating for other supplies, this means that the local area will, in general, be more and more dependent on PG&E-generated electricity in future years. All new sources will be more costly than the current, mainly hydro sources, thus eroding the local energy price advantage the MID has enjoyed for many years. The potential for future power outages exists throughout California and is a serious concern for industry seeking sites in this area. The current MID effort is to develop a diversity of supply to avoid this problem.

The other major fuel used by industry and households in the Modesto area is natural gas. PG&E is the local supplier. Cost of this fuel is escalating rapidly. Local industries are generally on "interruptible" service, meaning that in case supply cannot match demand during peak periods, service can be cut off for a period of time. This characteristic, and the escalation of prices, is shared throughout the



region and is not unique to Modesto. There have been no service interruptions in recent years, and the outlook is good at least through 1985.

#### 4. Air Quality

Air quality regulations directly affect industry through increased costs for control measures and, in certain cases, by constraining site choices.

Air quality in the Modesto Urban Area does not meet the National Ambient Air Quality Standards, although significant improvement has been attained over the last decade. New industry seeking to locate here must meet very stringent standards of emission. This new industry will contribute little to air pollution. However, associated growth will increase auto travel and other economic activities which result in pollution.

Increasing air pollution should be recognized as one of the indirect consequences of even "clean" industrial development. Of course, this will occur wherever new industry goes, not just in Modesto.

#### 5. Housing

Housing has been a constraining factor for industry in other places, most notably the San Jose-Santa Clara area. Housing can be a constraint where there are geographic limitations on building sites and where market prices exceed the labor force's ability to pay. Housing opportunities for persons employed in the Modesto Urban Area exist in Modesto and surrounding areas. Housing per se is not likely to be a constraining factor for industry. Rising housing prices may, however, impact industry.

#### Industrial Land Inventory

Industrial land includes land zoned M, M-1, M-2, C-M, and industrial P-D zones, as well as land designated for industrial use on the General Plan. As of July 1, 1981, 1,478 acres were vacant or in agricultural use which were zoned for industrial use or so designated on the General Plan within the Current Sewer Service Area (not including vacant buildings). This figure excludes land in the flood plain. In addition to the undeveloped land, there are industrially zoned lands which are underdeveloped (about 54 industrially zoned acres contain single-family residences) or contain vacant buildings (26 acres).

Of the 1,478 acres of undeveloped industrial land, the large majority is to be found in the Beard Industrial Area with a total of 1,020 undeveloped acres. A substantial amount of undeveloped land is also found in the Tidewater Industrial neighborhood with 329 undeveloped acres. A third area is the North 99 Industrial neighborhood (plus the College West Business Park at Carpenter and Blue Gum), with 88 undeveloped industrial acres. This area also includes 32 acres developed with residential uses which may eventually be displaced by industrial use. In addition to these three areas, small amounts of vacant industrial land are found in various neighborhoods with a total of 41 acres. These totals do not include parcels with vacant buildings on site.

During the past decade, about 30 acres per year were developed with industrial uses in the Modesto area. The socio-economic forecast prepared for the



Wastewater Facilities EIS project indicates a rate of land absorption of 34.6 acres per year through the year 2000. As of July 1, there were 1,478 acres of undeveloped land with industrial potential in the Current Sewer Service Area. Assuming a range of 30-35 acres per year for industrial land demand, this theoretically represents a 43-49 year supply.

Modesto's industrial sites are largely rail oriented. (The Beard and a portion of Tidewater areas are strongly rail oriented and to a substantial degree availability is restricted to rail-using industries.) This is reflective of the type of industry most prevalent in this area, the agribusiness/food processing complex, which is heavily dependent on rail. Adequate sites for rail-oriented industry and for expansion of local operations will be available for many years. Industrial sites for non-rail using industries are found in the North 99 Industrial neighborhood and interspersed with rail sites in the Beard and Tidewater Industrial areas. Sites of 5 or more acres for non-rail industry appear to be the least plentiful aspect of industrial land locally.

#### Industrial Land in Nearby Areas

In addition to vacant industrial land within Modesto's Current Sewer Service Area cited above, there are vacant industrial lands in nearby communities and in the unincorporated area outside the Modesto Urban Area. The following figures were provided by the Planning Departments of Ceres, Oakdale, Riverbank, and Stanislaus County in July, 1981.

Ceres: Ceres has 187 acres of vacant, sewerable industrial land. The majority of this land is immediately adjacent to the Tidewater Industrial neighborhood across Morgan Road, with the remainder to the south along Kinser Road. In addition, there are about 630 acres designated for industrial use on Ceres' General Plan but outside Ceres' current sewer service area.

Oakdale: About 80 acres of vacant industrial land exist within Oakdale, plus about 80 additional acres zoned for industry in the unincorporated area to the south of town.

Riverbank: Riverbank has about 169 acres of vacant industrial land, of which about 105 acres are in parcels of 5 acres or greater.

Stanislaus County: About 10 acres remain vacant in an industrial P-D zone north of Modesto on Bangs Road. An application for P-D zoning of an additional 25 acres is currently pending.

In total, there are about 446 acres of vacant industrial land which is presently developable in these areas. In general, this land would be available to industries which do not require heavy use of rail.

#### Potential Areas for Industrial Expansion

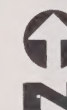
Land could be added to the industrial inventory by amendment to the General Plan and rezoning. This section considers the various areas within the



# SELECTED VACANT COMMERCIAL, OFFICE, AND INDUSTRIAL LAND IN THE MODESTO URBAN AREA OCTOBER 1981

## LEGEND

- COMMERCIAL
- OFFICE
- INDUSTRIAL



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CITY OF MODESTO PLANNING AND  
COMMUNITY DEVELOPMENT DEPT.  
OCTOBER - 1981

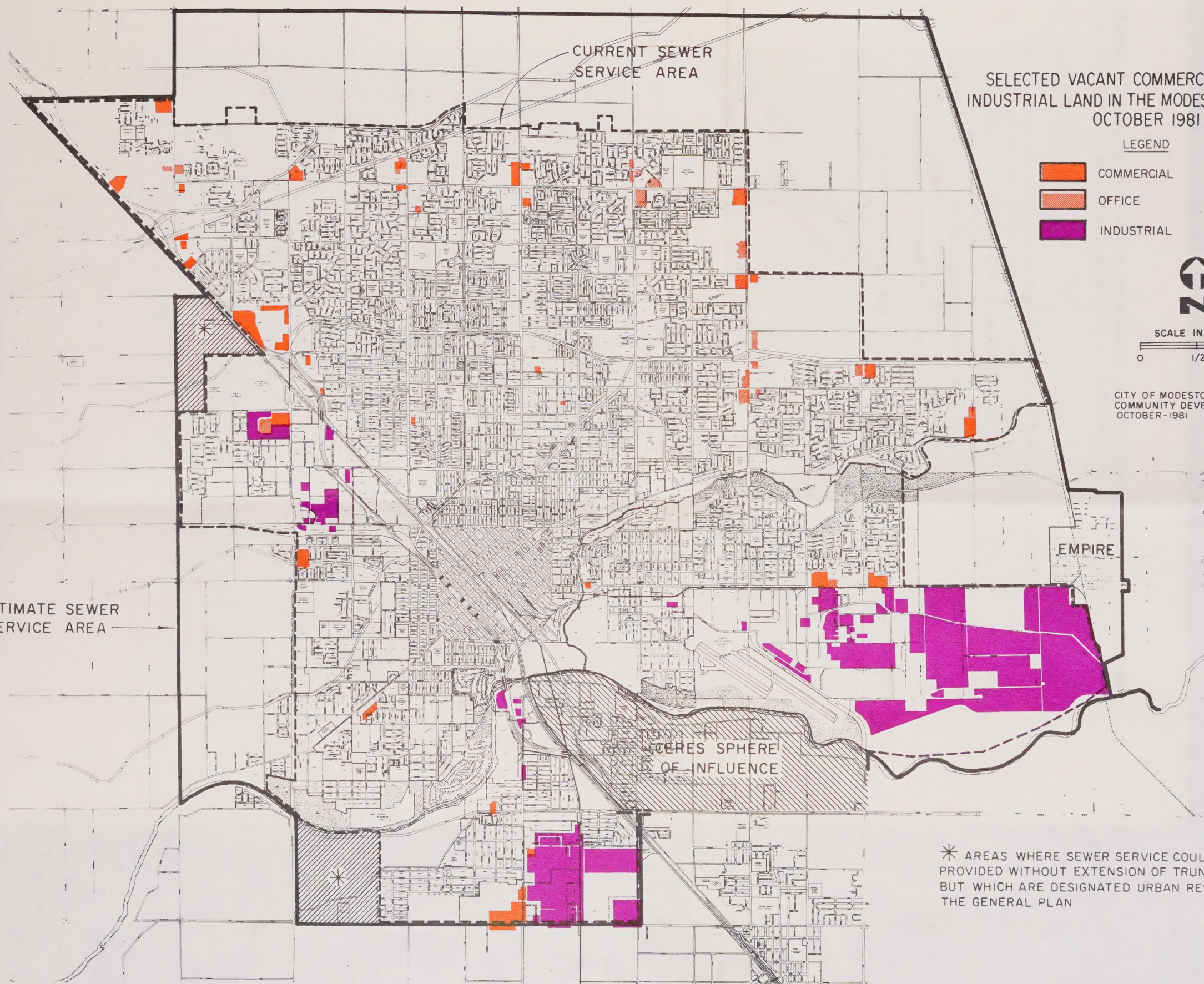
ULTIMATE SEWER  
SERVICE AREA

CURRENT SEWER  
SERVICE AREA


4000 ACRES SPHERE  
OF INFLUENCE

EMPIRE

\* AREAS WHERE SEWER SERVICE COULD BE  
PROVIDED WITHOUT EXTENSION OF TRUNK SEWERS  
BUT WHICH ARE DESIGNATED URBAN RESERVE ON  
THE GENERAL PLAN.







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General Plan where this might conceivably occur. This analysis is broken down into two areas: within the urbanized area and in the Urban Reserve.

## 1. The Urbanized Area

Within the urbanized area few or no areas remain undeveloped in large blocks which could be revised to industrial designation. The Orchard Neighborhood is the largest remaining block of undeveloped land outside the existing industrial areas. It is, however, unsuitable for manufacturing uses: it has poor access to transportation for products, it is presently adjacent on two sides to residential areas and will ultimately be surrounded by residential neighborhoods under the existing plan.

The northwestern corner of the Pelandale neighborhood is the other major block of undeveloped land. It has good access to the freeway. Non-residential uses have been suggested along the frontage of the freeway as a buffer for noise. However, this neighborhood is already committed to residential use and industry along the western edge would not be desirable. An incompatible traffic access pattern and a sawtooth or stairstep boundary of noncompatibility would result. The area along 99 between Carver and Tully is an example of the problems inherent in placing industry in this type of proximity to a residential neighborhood. Thus we conclude that there are no areas within the urbanized area where a change to industrial designation could be recommended.

## 2. The Urban Reserve

The College West area has, in the past, been informally suggested as a potential industrial area. Its advantages include service from an existing trunk sewer, access to freeway 99 and potentially to the Southern Pacific Railroad. Extension of Brink Road to the Beckwith interchange would probably be needed. It is isolated enough from residential areas to avoid being a nuisance but has reasonable access for employees. It is rather out of the way for bus service, although the MJC West Campus is presently served by a bus route. Development here could put strong urbanization pressures on the adjacent county area to the west and north beyond the City's General Plan area.

There are two additional areas where sewers could be made available readily, as the trunks are already in the ground: the West Trunk area (Kansas to the Tuolumne River) and the Fairview neighborhood. The West Trunk area south of Kansas has much less desirable transportation characteristics. If the 132 freeway or expressway were developed, the area between Kansas and Maze would have excellent truck access. However, this eventuality seems remote. There is a developed residential enclave within this area. South of Maze access would be via Carpenter, Maze, Hatch, and Whitmore to 99. Substantial increases in heavy truck traffic on these thoroughfares do not seem desirable.

The western portion of the Fairview neighborhood is another undeveloped area. While this area has major street access via Hatch and Whitmore to 99, the truck traffic would be adjacent to residential areas. It is relatively remote from the majority of Modesto area housing but is fairly close to south and west Modesto housing areas.



Beyond the CSSA and sewerable areas the following areas remain within the Urban Reserve: the Yosemite, Lakewood, Sonoma, and North Trunk sewer extension areas. The Yosemite Trunk area is north of and adjacent to the Beard tract along Yosemite Boulevard. Present plans envision the area north of Yosemite providing housing relating to the employment area south of Yosemite. It seems desirable to maintain this balance. In addition, addition of employers in this area would have the potential to induce added east-west traffic on neighborhood streets to the west of the area.

The Sonoma Trunk area is the heart of Modesto's residential area and has poor access to transportation for goods. The Lakewood Trunk is bounded by the Santa Fe Railroad on the east and could potentially have rail access. Road access is fair on the south (via Briggsmore) and the north (via Claribel/Kiernan), and poor in between. Low impact industry along the railroad as the intervening area develops with housing is possibly supportable with careful attention to handling the boundary between the two uses. Development along a diagonal railroad is challenging because of the potential for a "sawtooth" form of development. In any case, a decision on this matter is not needed at present as any development of the area is well in the future.

With one exception the North Trunk area is generally unsuitable for industrial development. It has poor transportation access and borders existing residential development along much of its length. The one exception is the area along the Tidewater Southern Railroad. Industrial development already exists in this area - the Tri Valley plant along the tracks south of Kiernan and the industrial park on North Star Way east of the tracks. The area between Tully and McHenry, Kiernan and the Pelandale/Claratina major street alignment is a potential candidate for further industrial development in the future when sewers are available. An environmental impact report for a proposed 25-acre industrial rezoning in this area is presently being prepared by Stanislaus County.

### Industrial Development Strategies

Three general approaches to industrial development can be described: 1) An incentives approach in which the local government provides attractions to industry to locate within their jurisdiction; 2) a neutral approach in which the local government accommodates industry wishing to locate but neither encourages nor discourages industry; and 3) a regulatory approach in which the local government regulates type and/or number of industries, specific locations, etc.

The City of Modesto's historical approach has been mainly neutral with certain regulations, such zoning regulating the location of industry. The industrial zoning regulations, however, have been very liberal. City zoning has not been a constraint other than through its permissiveness--for example, the preemption of high exposure frontages by retail in some industrial areas (Carpenter Road, Crows Landing Road). This section focuses primarily on incentives, which have been little used locally.



## 1. Provision of Public Services

At present, public services provided by the City are funded in various ways, some from general tax receipts and some from fees related to the service provided. In particular, extension of utilities (water and sewer) is at the expense of the user. In some communities extension of these utilities has been made to industrial sites at General Fund expense as an inducement to industry to locate there.

## 2. Industrial Revenue Bonds/Assessment Districts

Industrial revenue bonds (IRB's) are tax-exempt bonds issued by a municipality which permit industrial development to take advantage of the below-market interest rate available in a tax-exempt bond. Use of tax-exempt IRB's has been considered locally in the past but the technique has not been used. A drawback is that tax-exempt bonds compete on the market for capital and may make capital more expensive for other purposes. IRB's may "soak up" locally available capital, reducing availability for housing, business, and other bonds such as mortgage revenue bonds. For these reasons, selective rather than general use of bonds is advisable.

The City Council supports Special Assessment District bond financing for industrial development. Staff is working on an implementation strategy.

## 3. Property Tax Abatement

Some jurisdictions have used abatement of property taxes for an initial period following development as an incentive to industry to locate in their community. This practice has been most prevalent in the East and South areas of the country. There is no mechanism enabling it in California.

Even if it were permitted, there are drawbacks to this practice including the following: the practice may result in substantial lost revenues to the City; it may result in "price wars" with each jurisdiction bidding for industry with lower tax rates, thus neutralizing any tax advantages; and significantly, property taxes have been found to be of little importance in selecting a site for industry. In addition, this measure would be administratively cumbersome since property taxes are not directly levied by the City, and this measure would not be available for those industrial areas outside City limits without annexation or unless the County adopted a similar approach.

## 4. Municipal Industrial Park

Some cities acquire land for industrial parks. Coupling land acquisition with revenue bonds for improvements, they are able to offer excellent terms to industrial users. This approach has not been pursued in Modesto.

## Characteristics of Desirable Industry

A number of characteristics can be identified which would be desirable locally in a new industry. Ideally this industry would provide employment which is non-seasonal in nature. If seasonal, the peaks would be out of phase with the



food processing industry and would offer employment to workers laid off from that industry. The industry would provide substantial employment to semi-skilled workers.

In environmental terms, the industry would be clean. There would be little or no emissions to the air and little discharge to the sewer system.

The ideal new industry would not be in a sector of the economy vulnerable to major economic cycles. It would be locally owned or part of a smaller corporate structure with major management decisions made locally. To maximize the positive effect on the local economy it would utilize locally produced inputs.

### Recommendations

1. It appears that there is demand for additional industrial land which meets certain criteria: truck-oriented, medium-sized parcels (5 or more acres). The College West area could potentially meet this need. The Planning staff could support industrial designation of this area under certain conditions. First, staff suggests that if this area is to be designated for industrial use, that only P-D zoning be used to insure that the area is reserved for industrial uses only (excluding commercial and office uses). Second, staff suggests that a minimum lot size guideline of 5 acres be adopted as the policy for the area to insure that larger sites are preserved to meet this need.
2. Another area which will ultimately have industrial potential is the North Trunk area between Tully and McHenry. This area has some industrial uses and is served by the Tidewater Southern railroad. Further industrial development of the area should await extension of the north trunk for the following reasons: a) developments on the urban fringe tend to resist annexation in the future, leading to formation of "islands" and inefficiencies in urban service provision, b) development on septic tanks is undesirable for the long-term and there will be difficulties in converting to sanitary sewers, c) City and County development standards differ, with City requiring fire sprinklers for any building over 5,000 square feet, and d) any development in the County will add to pressures for future added development outside the Current Sewer Service Area.
3. That the City of Modesto consider industrial revenue bonds for industrial facilities and special assessment district bond financing for new industry meeting General Plan objectives.
4. That present policies regarding recovery of the cost of provision of public services be continued.
5. That the City not become involved in acquisition and development of industrial parks given the amount of privately held land being marketed for this purpose.
6. That the Chamber of Commerce be supported in their efforts to promote Modesto to industries seeking new sites as a City with significant values: a substantial labor pool including a wide range of skills,



competitive wage rates, excellent transportation and access to markets, good availability of sites and utilities. It does not seem necessary for the City to designate a list of specially desirable new industries. The "characteristics of desirable industry" previously listed can serve as evaluation criteria for new industry.

## CITY OF MODESTO

Planning & Community Development Department

1000 N. G Street, Modesto, CA 95201-1000

July 26, 1988

Dear Mr. [Name]:

The Modesto Economic Development Committee has been organized with the purpose of identifying, evaluating and recommending industries for the City Council to consider for designation as "characteristics of desirable industry". The committee has been organized to study the economic development needs of the City and to make recommendations to the City Council.

At its first meeting on July 15, 1988, the committee discussed the need for a study of the economic development needs of the City and the importance of identifying industries that would be beneficial to the City's economy.

- 1. Study the economic development needs of the City.
- 2. Identify industries that would be beneficial to the City's economy.
- 3. Make recommendations to the City Council.

We would be pleased to discuss the committee's findings and recommendations with you at any time. Please contact the committee at (209) 576-1000.

Sincerely,  
[Signature]

Respectfully,  
[Signature]  
[Name]  
[Title]  
[Address]

Enclosure  
Distribution List









# CITY of MODESTO

Planning & Community

Development Department: 801 11th Street, P.O. Box 642, Modesto, CA 95353, (209) 577-5267

May 19, 1982

## OPEN LETTER TO PARTIES INTERESTED IN MODESTO'S INDUSTRIAL POLICY

The Public Projects Committee of the Modesto City Council has been charged with studying the City's industrial policies and recommending improvements to the City Council. A staff report on the subject has been prepared (copy enclosed) and the Committee plans a series of public meetings to discuss the issues.

We invite you to participate in these discussions. The Public Projects Committee will meet in the fourth floor conference room, City Hall, 11th and H Streets, Modesto. The schedule is as follows:

Wednesday, May 26, 1982 - 2:00 p.m.

Wednesday, June 2, 1982 - 1:00 p.m.

Wednesday, June 9, 1982 - 1:00 p.m.

We intend to stick to this schedule, however, any of these dates can be confirmed closer to the time of meeting by calling this department at 577-5267.

I look forward to seeing you at the meetings and hearing your views on Modesto's industrial policies.

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STUDIES LIBRARY

MAY 27 1982

UNIVERSITY OF CALIFORNIA

Yours truly,

William S. Nichols  
Director of Planning and  
Community Development

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Distribution List #1





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# CITY OF ALBANY

Department of Planning and Development  
Planning Division

May 11, 1981

Dear Mr. [Name]:

Reference is made to your letter of May 7, 1981.

The following information is being furnished to you:

1. A copy of the [document] is being furnished to you.

2. A copy of the [document] is being furnished to you.

3. A copy of the [document] is being furnished to you.

Very truly yours,

[Signature]

[Title]

Enclosed for your information are two copies of the [document].

I am pleased to hear that the [document] is being reviewed.

Very truly yours,

May 11, 1981

Enclosed is [document]

Very truly yours,  
[Signature]  
[Title]